

EXHIBIT 1

INTRODUCTION

Respondent State Farm Insurance Companies is a business entity engaged in insurance sales.

In 2005, during the first semi-annual campaign reporting period, Respondent made political contributions totaling \$317,500, and thereby qualified as a “major donor committee” under the Political Reform Act (the “Act”).¹ As such, Respondent was required to comply with specified campaign reporting provisions of the Act.

As a major donor committee, Respondent was required by the Act to file a semi-annual campaign statement, commonly known as a “major donor statement,” disclosing Respondent’s campaign activity during the six-month period January 1, 2005 through June 30, 2005.

For the purposes of this Stipulation, Respondent’s violations are stated as follows:

COUNT 1: Respondent State Farm Insurance Companies failed to file an electronic format semi-annual campaign statement, by the July 31, 2005 due date, for the reporting period January 1, 2005 through June 30, 2005, in violation of section 84605, subdivision (a) of the Government Code.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (c) includes within the definition of “committee” any person or combination of persons who directly or indirectly makes contributions, including loans, totaling ten thousand dollars (\$10,000) or more in a calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a “major donor” committee.

Section 84200, subdivision (b) requires a major donor committee to file a semi-annual campaign statement for any reporting period in which the committee made campaign contributions. The first semi-annual campaign statement covers the reporting period January 1 through June 30, and must be filed by July 31. The second semi-annual campaign statement

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

covers the reporting period July 1 through December 31, and must be filed by January 31 of the following year.

In 1997, the Legislature amended the Act to require committees that are significantly active on the state level to file their campaign statements electronically as well as on paper. In doing so, the Legislature specifically declared, as set forth in Section 84601, subdivisions (b) and (c), that “public access to campaign disclosure information is a vital and integral component of a fully informed electorate,” and that “[a]dvances in technology have made it viable for disclosure of statements to be filed online..., thereby maximizing availability to the public. Accordingly, section 84605, subdivision (a) requires all committees, defined in subdivision (c) of section 82013, to file online or electronically with the Office of the Secretary of State if they make contributions of fifty thousand dollars (\$50,000) or more in a calendar year.

Section 84215, subdivision (a) requires all major donor committees that make contributions supporting or opposing state candidates, measures, or committees to file their campaign statements with the offices of the Secretary of State, the Registrar-Recorder of Los Angeles County, and the Registrar of Voters of the City and County of San Francisco.

SUMMARY OF THE FACTS

During the semi-annual reporting period January 1, 2005 through June 30, 2005, Respondent State Farm Insurance Companies made campaign contributions totaling \$317,500 as follows:

1/05/2005	California Business Roundtable Issues PAC	\$ 2,500.00
4/27/2005	Californians to Stop Shakedown Lawsuits	\$ 5,000.00
5/11/2005	California Business PAC	\$250,000.00
5/18/2005	Californians to Stop Higher Taxes	\$ 50,000.00
6/23/05	Taxpayers to Save the 2/3 Vote	\$ 10,000.00

By making campaign contributions of \$10,000 or more in the 2005 calendar year, Respondent qualified as a major donor committee under section 82013, subdivision (c).

Respondent filed the paper format major donor semi-annual campaign statement on July 28, 2005, but failed to file the electronic version required by section 84605, subdivision (a). Respondent discovered the violation, contacted the Enforcement Division, and voluntarily filed the electronic major donor semi-annual campaign statement on March 8, 2006.

COUNT 1

Failure to File an Electronic Semi-Annual Campaign Statement

As a major donor committee, Respondent State Farm Insurance Companies had a duty, under section 84605, subdivision (a), to file an electronic format semi-annual campaign statement for the reporting period January 1, 2005 through June 30, 2005, disclosing campaign contributions made during that reporting period. Respondent was required to file the electronic statement with the Office of the Secretary of State, by July 31, 2005. Respondent failed to file

the electronic semi-annual campaign statement by the July 31, 2005 due date, in violation of section 84605, subdivision (a).

CONCLUSION

This matter consists of one count, which carries a maximum possible administrative penalty of Five Thousand Dollars (\$5,000).

This matter was excluded from the Enforcement Division's Streamlined Major Donor Enforcement Program due to the size of the unreported contribution.

The administrative penalty imposed for major donor filing violations resolved outside of the Streamlined Major Donor Enforcement Program has historically been determined on a case-by-case basis, and has varied depending on the mix of aggravating and mitigating circumstances. In this case, the violation is serious because the amount of contributions not electronically reported was very large, and electronic reporting gives the public the most timely and convenient access to Respondent's campaign activity. However, Respondent's violations are mitigated by the fact that Respondent voluntarily reported the violation and timely filed the paper version of the semi-annual campaign statement. Additionally, Respondent filed all subsequent major donor campaign statements, in both electronic and paper formats for the balance of 2005, in a timely manner. Therefore, a penalty higher than that which would have been imposed under the streamlined program, but in the mid range of available penalties is appropriate.

The facts of this case and the mitigating factors justify imposition of the agreed upon penalty of Two Thousand Five Hundred Dollars (\$2,500).